

ORDER NO. 4698

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton; and  
Nanci E. Langley

Competitive Product Prices  
Priority Mail Express & First-Class Package Service  
Contract 2 (MC2018-120)  
Negotiated Service Agreements

Docket No. CP2018-163

ORDER APPROVING AMENDMENT ONE TO  
PRIORITY MAIL EXPRESS & FIRST-CLASS PACKAGE SERVICE NEGOTIATED  
SERVICE AGREEMENT

(Issued July 6, 2018)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail Express & First-Class Package Service negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

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<sup>1</sup> USPS Notice of Amendment to Priority Mail Express & First-Class Package Service Contract 2, Filed Under Seal, June 26, 2018 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 4387, the Commission approved the Priority Mail Express & First-Class Package Service Contract 2 negotiated service agreement (Existing Agreement).<sup>2</sup> On June 26, 2018, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On June 27, 2018, the Commission issued a notice reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Amendment and the Existing Agreement. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as amended, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

## III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's

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<sup>2</sup> See Docket Nos. MC2018-120 and CP2018-163, Order Adding Priority Mail Express & First-Class Package Service Contract 2 to the Competitive Product List, January 18, 2018 (Order No. 4387).

<sup>3</sup> See Docket No. CP2018-163, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 27, 2018.

<sup>4</sup> Public Representative Comments on the United States Postal Service Notice of Amendment to Priority Mail Express & First-Class Package Service Contract 2, July 3, 2018 (PR Comments).

institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment revises types of packages receiving negotiated rates and the negotiated rates paid by the contract partner. Notice, Attachment A at 1, 4. The Amendment also revises the implementation of tiered pricing. *Id.* at 2-3.

Based on a review of the record, the Commission finds that the Existing Agreement, as amended, should cover its attributable costs. 39 U.S.C. § 3633(a)(2). For this reason, it finds that the Existing Agreement, as amended, should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the Existing Agreement, as amended, is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). See *also* 39 C.F.R. § 3015.7(c). Accordingly, a preliminary review of the Amendment indicates it is consistent with section 3633(a).

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Express & First-Class Package Service Contract 2 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Ruth Ann Abrams  
Acting Secretary